

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
TRIMBLE COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Trimble County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Trimble County Fiscal Court.

Financial Condition:

The Trimble County Fiscal Court had total receipts of \$3,854,102 and disbursements of \$3,417,063 in fiscal year 2015. This resulted in a total ending fund balance of \$1,684,725, which is an increase of \$498,840 from the prior year.

Report Comment:

2015-001 The County Was Not In Compliance With Applicable Laws Over Disbursements

Deposits:

The fiscal court's deposits as of August 31, 2014, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$344,584

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
TRIMBLE COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES	21
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	26
SCHEDULE OF CAPITAL ASSETS	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	30
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
COMMENT AND RECOMMENDATION	37
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Jerry Powell, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Trimble County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Trimble County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Trimble County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Trimble County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Trimble County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Trimble County Fiscal Court. The budgetary comparison schedules and capital asset schedule, are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of Trimble County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trimble County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2015-001 The County Was Not In Compliance With Applicable Laws Over Disbursements

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

February 1, 2016

TRIMBLE COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Jerry Powell	County Judge/Executive
Kenneth Green	Magistrate
Don McCarty	Magistrate
Nolan Hamilton, Jr.	Magistrate
David Scott	Magistrate

Other Elected Officials:

Crystal Heinz	County Attorney
Bobby Temple	Jailer
Tina Browning	County Clerk
Stacy Bruner	Circuit Court Clerk
Tim Coons	Sheriff
Jill Mahoney	Property Valuation Administrator
Frederica Congleton	Coroner

Appointed Personnel:

Regina Rand	County Treasurer
Ashley Thornsberry	Financial Officer/Deputy Judge
Kathi McGuire	Payroll Officer/Deputy Judge
Roy Callis	Road Supervisor
Susan Barnes	Fiscal Court Clerk

TRIMBLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

TRIMBLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 981,522	\$	\$
Excess Fees	34,756		
Licenses and Permits	731,938		
Intergovernmental	108,426	1,164,311	88,452
Charges for Services	266,671		
Miscellaneous	221,182	224,936	35
Interest	226	364	
Total Receipts	<u>2,344,721</u>	<u>1,389,611</u>	<u>88,487</u>
DISBURSEMENTS			
General Government	701,659		
Protection to Persons and Property	390,306		327,116
General Health and Sanitation	167,019		
Social Services			
Recreation and Culture	47,007		
Roads		756,774	
Debt Service	51,839	33,967	
Administration	691,680	159,663	12,376
Total Disbursements	<u>2,049,510</u>	<u>950,404</u>	<u>339,492</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>295,211</u>	<u>439,207</u>	<u>(251,005)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		29,660	32,141
Transfers From Other Funds	366,347		220,000
Transfers To Other Funds	(294,400)	(166,347)	
Total Other Adjustments to Cash (Uses)	<u>71,947</u>	<u>(136,687)</u>	<u>252,141</u>
Net Change in Fund Balance	367,158	302,520	1,136
Fund Balance - Beginning (Restated)	155,471	259,908	5,676
Fund Balance - Ending	<u>\$ 522,629</u>	<u>\$ 562,428</u>	<u>\$ 6,812</u>
Composition of Fund Balance			
Bank Balance	\$ 542,759	\$ 567,611	\$ 21,933
Less: Outstanding Checks	(20,130)	(5,183)	(15,121)
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 522,629</u>	<u>\$ 562,428</u>	<u>\$ 6,812</u>

The accompanying notes are an integral part of the financial statement.

TRIMBLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
Local			
Government			
Economic	License	Parks	Total
Assistance	Fee	Board	Funds
Fund	Fund	Fund	
\$	\$ 24,050	\$	\$ 1,005,572
			34,756
			731,938
5,595			1,366,784
			266,671
		25	446,178
2	1,611		2,203
<u>5,597</u>	<u>25,661</u>	<u>25</u>	<u>3,854,102</u>
			701,659
			717,422
11,000			178,019
19,121			19,121
47,237			94,244
			756,774
			85,806
	299		864,018
<u>77,358</u>	<u>299</u>		<u>3,417,063</u>
(71,761)	25,362	25	437,039
			61,801
74,400			660,747
	(200,000)		(660,747)
<u>74,400</u>	<u>(200,000)</u>		<u>61,801</u>
2,639	(174,638)	25	498,840
3,264	754,650	6,916	1,185,885
<u>\$ 5,903</u>	<u>\$ 580,012</u>	<u>\$ 6,941</u>	<u>\$ 1,684,725</u>
\$ 6,113	\$ 75,185	\$ 6,941	\$ 1,220,542
(210)			(40,644)
	504,827		504,827
<u>\$ 5,903</u>	<u>\$ 580,012</u>	<u>\$ 6,941</u>	<u>\$ 1,684,725</u>

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS	12
NOTE 3.	TRANSFERS.....	12
NOTE 4.	LONG-TERM DEBT	12
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM	14
NOTE 6.	DEFERRED COMPENSATION.....	16
NOTE 7.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	17
NOTE 8.	INSURANCE.....	17
NOTE 9.	CONDUIT DEBT.....	17
NOTE 10.	PRIOR PERIOD ADJUSTMENTS	17

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Trimble County includes all budgeted and unbudgeted funds under the control of the Trimble County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

License Fee Fund - The purpose of this fund is to account for funds received from the waste hauling permits and license fees. The funds may be used for any purpose.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Parks Board Fund - The Parks Board was created for managing and maintaining the park.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Parks Board Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Trimble County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Trimble County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2014, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$344,584

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	License Fee Fund	Total Transfers In
General Fund	\$	\$	\$	\$
Jail Fund	220,000	166,347	200,000	366,347
LGEA Fund	74,400			220,000
				74,400
Total Transfers Out	\$ 294,400	\$ 166,347	\$ 200,000	\$ 660,747

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. Courthouse Expansion

On May 31, 2007, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$450,000 at a variable interest rate for the expansion of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 11 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

A. Courthouse Expansion (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 45,000	\$ 4,938
2017	50,000	2,829
2018	55,000	224
Totals	<u>\$ 150,000</u>	<u>\$ 7,991</u>

B. Dump Truck and Storage Buildings

On January 29, 2013, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$155,437 at a variable interest rate for payment for dump trucks and storage building construction. The county will make quarterly payments of varying amounts for five years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 31,390	\$ 2,212
2017	32,164	1,185
2018	16,379	199
Totals	<u>\$ 79,933</u>	<u>\$ 3,596</u>

C. Pickup Truck

On September 11, 2014, the fiscal court entered into a financing agreement with the Bedford Loan and Deposit Bank to borrow \$29,660 at 2.75% interest rate for the purchase of a pickup truck for the Road Department. The county will make monthly payments of \$530 for 60 months in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,721	\$ 635
2017	5,887	469
2018	6,051	305
2019	6,220	136
2020	1,579	7
Totals	<u>\$ 25,458</u>	<u>\$ 1,552</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

D. Jail Vehicle

On October 21, 2014, the fiscal court entered into a financing agreement with the Farmers Bank of Milton to borrow \$32,141 at 4.125% interest rate for the purchase of a vehicle for the use of the Jailer. The county will make monthly payments of \$594 for 60 months in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 6,072	\$ 1,053
2017	6,330	795
2018	6,596	529
2019	6,874	252
2020	<u>2,355</u>	<u>20</u>
Totals	<u>\$ 28,227</u>	<u>\$ 2,649</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	\$ 305,568	\$ 61,801	\$ 83,751	\$ 283,618	\$ 88,183
Total Long-term Debt	<u>\$ 305,568</u>	<u>\$ 61,801</u>	<u>\$ 83,751</u>	<u>\$ 283,618</u>	<u>\$ 88,183</u>

Note 5. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous *and hazardous duty* positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$239,611, FY 2014 was \$244,739, and FY 2015 was \$224,014.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Trimble County's proportionate share of the net pension liability as of June 30, 2015 is:

	June 30, 2014	June 30, 2015
Hazardous	\$ 231,000	\$ 207,000
Non-Hazardous	1,775,000	1,569,000
Totals	<u>\$ 2,006,000</u>	<u>\$ 1,776,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

On February 24, 2000, the Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Health Reimbursement Account/Flexible Spending Account

The Trimble County Fiscal Court established a flexible spending (FSA) and health reimbursements (HRA) accounts on May 1, 2012 to provide employees an additional health benefit. The County has contracted with Febco Inc., a third-party administrator, to administer the plans. The HRA plan provides a debit card to each eligible employee providing \$1,500 or \$3,000, depending upon the type of insurance plan the employee has, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds (FSA) through payroll deduction. The balance in the accounts as of June 30, 2015, was \$26,498.

Note 8. Insurance

For the fiscal year ended June 30, 2015, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to the power plant for pollution control in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds. Although conduit debt obligations bear the Trimble County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2015, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 10. Prior Period Adjustments

The prior year ending fund balance for the general fund was increased by \$110 for an adjusted beginning fund balance of \$155,471. The adjustment was due to a prior year outstanding check being voided.

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TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 830,600	\$ 858,470	\$ 981,522	\$ 123,052
Excess Fees	10,000	34,756	34,756	
Licenses and Permits	620,600	620,600	731,938	111,338
Intergovernmental	84,900	102,513	108,426	5,913
Charges for Services	190,000	192,409	266,671	74,262
Miscellaneous	246,354	292,524	221,182	(71,342)
Interest		123	226	103
Total Receipts	1,982,454	2,101,395	2,344,721	243,326
DISBURSEMENTS				
General Government	777,260	787,260	701,659	85,601
Protection to Persons and Property	456,358	489,358	390,306	99,052
General Health and Sanitation	179,406	199,006	167,019	31,987
Recreation and Culture	45,000	47,500	47,007	493
Debt Service	53,100	66,100	51,839	14,261
Administration	871,330	912,171	691,680	220,491
Total Disbursements	2,382,454	2,501,395	2,049,510	451,885
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400,000)	(400,000)	295,211	695,211
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	366,347	366,347	366,347	
Transfers To Other Funds	(366,750)	(366,750)	(294,400)	72,350
Total Other Adjustments to Cash (Uses)	(403)	(403)	71,947	72,350
Net Change in Fund Balance	(400,403)	(400,403)	367,158	767,561
Fund Balance Beginning (Restated)	400,403	400,403	155,471	(244,932)
Fund Balance - Ending	\$ 0	\$ 0	\$ 522,629	\$ 522,629

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 949,232	\$ 1,265,379	\$ 1,164,311	\$ (101,068)
Miscellaneous		252,432	224,936	(27,496)
Interest	550	550	364	(186)
Total Receipts	949,782	1,518,361	1,389,611	(128,750)
DISBURSEMENTS				
Roads	821,325	943,525	756,774	186,751
Debt Service	47,000	47,000	33,967	13,033
Administration	234,267	680,646	159,663	520,983
Total Disbursements	1,102,592	1,671,171	950,404	720,767
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(152,810)	(152,810)	439,207	592,017
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			29,660	29,660
Transfers To Other Funds	(166,347)	(166,347)	(166,347)	
Total Other Adjustments to Cash (Uses)	(166,347)	(166,347)	(136,687)	29,660
Net Change in Fund Balance	(319,157)	(319,157)	302,520	621,677
Fund Balance Beginning	319,157	319,157	259,908	(59,249)
Fund Balance - Ending	\$ 0	\$ 0	\$ 562,428	\$ 562,428

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 85,600	\$ 85,600	\$ 88,452	\$ 2,852
Miscellaneous		32,141	35	(32,106)
Total Receipts	85,600	117,741	88,487	(29,254)
DISBURSEMENTS				
Protection to Persons and Property	332,200	359,100	327,116	31,984
Administration	37,650	48,567	12,376	36,191
Total Disbursements	369,850	407,667	339,492	68,175
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(284,250)	(289,926)	(251,005)	38,921
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			32,141	32,141
Transfers From Other Funds	284,250	284,250	220,000	(64,250)
Total Other Adjustments to Cash (Uses)	284,250	284,250	252,141	(32,109)
Net Change in Fund Balance		(5,676)	1,136	6,812
Fund Balance Beginning		5,676	5,676	
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,812	\$ 6,812

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 5,595	\$ 5,595	\$
Interest			2	2
Total Receipts		5,595	5,597	2
DISBURSEMENTS				
General Government	500	500		500
General Health and Sanitation	11,000	11,000	11,000	
Social Services	18,200	23,200	19,121	4,079
Recreation and Culture	46,500	56,595	47,237	9,358
Administration	6,300	64		64
Total Disbursements	82,500	91,359	77,358	14,001
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(82,500)	(85,764)	(71,761)	14,003
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	82,500	82,500	74,400	(8,100)
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	82,500	82,500	74,400	(8,100)
Net Change in Fund Balance		(3,264)	2,639	5,903
Fund Balance Beginning		3,264	3,264	
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,903	\$ 5,903

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LICENSE FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 25,000	\$ 25,000	\$ 24,050	\$ (950)
Interest	2,050	2,050	1,611	(439)
Total Receipts	27,050	27,050	25,661	(1,389)
DISBURSEMENTS				
Administration	50	5,050	299	4,751
Total Disbursements	50	5,050	299	4,751
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	27,000	22,000	25,362	3,362
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(199,900)	(199,900)	(200,000)	(100)
Total Other Adjustments to Cash (Uses)	(199,900)	(199,900)	(200,000)	(100)
Net Change in Fund Balance	(172,900)	(177,900)	(174,638)	3,262
Fund Balance Beginning	172,900	177,900	754,650	576,750
Fund Balance - Ending	\$ 0	\$ 0	\$ 580,012	\$ 580,012

TRIMBLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

TRIMBLE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

TRIMBLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 423,900	\$	\$	\$ 423,900
Buildings	1,568,269			1,568,269
Building Improvements	980,712			980,712
Land Improvements	567,380			567,380
Vehicles and Equipment	2,118,029	96,584	28,446	2,186,167
Infrastructure	4,713,981	226,205		4,940,186
 Total Capital Assets	 <u>\$ 10,372,271</u>	 <u>\$ 322,789</u>	 <u>\$ 28,446</u>	 <u>\$10,666,614</u>

TRIMBLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Prior Period Adjustment

Vehicles and Equipment increased \$25,682 due to an error in the prior year.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Powell, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Trimble County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Trimble County Fiscal Court's financial statement and have issued our report thereon dated February 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Trimble County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trimble County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trimble County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comment and recommendation as item 2015-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

February 1, 2016

**TRIMBLE COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2015

TRIMBLE COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2015

STATE LAWS AND REGULATIONS:

2015-001 The County Was Not In Compliance With Applicable Laws Over Disbursements

We noted the following non-compliances during our disbursement testing:

- Four invoices were not paid within 30 days.
- Five invoices were paid before fiscal court approval.
- One payment was made without the Treasurer's signature.

Because invoices are not date stamped when received and no log of outstanding purchase orders is maintained, payments are not being made timely. In addition, two of the late payments noted were due to the county waiting to receive vehicles before issuing payment. A payment was also issued without the Treasurer's signature because she was not available to sign the check.

When invoices are not paid within thirty days, the county could incur late penalties and interest. In addition when invoices are paid before fiscal court approval and without the Treasurer's signature, the county is violation of the Department of Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

Per KRS 65.140(2), payments should be made within thirty working days of receipt. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, directs the Treasurer to countersign checks only if the claim has been reviewed by fiscal court. The treasurer is not authorized to designate anyone to sign checks on their behalf. Per KRS 68.020 and 68.275, the treasurer must co-sign all checks.

We recommend the fiscal court maintain a log of outstanding purchase orders and date stamp invoices when received to help ensure payments are made within 30 working days of receipt, as required by KRS 65.140(2). We also recommend the Treasurer sign all checks after claims are approved by Fiscal Court to comply with the DLG Budget Manual.

County Judge/Executive's Response: None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

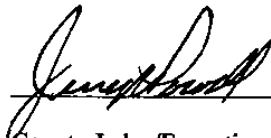
TRIMBLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

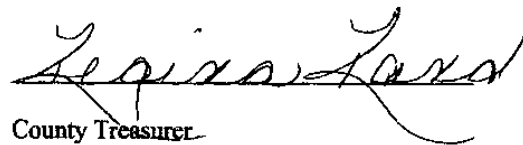
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

